



**REPORT OF THE AUDITOR OF PUBLIC ACCOUNTS
AUDIT EXAMINATION OF THE
WOODFORD COUNTY
SHERIFF'S SETTLEMENT - 2000 TAXES**

September 11, 2001

**EDWARD B. HATCHETT, JR.
AUDITOR OF PUBLIC ACCOUNTS
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EXECUTIVE SUMMARY
AUDIT EXAMINATION OF THE
WOODFORD COUNTY
SHERIFF'S SETTLEMENT - 2000 TAXES

September 11, 2001

The Auditor of Public Accounts has completed the audit of the Sheriff's Settlement - 2000 Taxes for Woodford County Sheriff as of September 11, 2001. We have issued an unqualified opinion on the financial statements taken as a whole. Based upon the audit work performed, the financial statements are presented fairly in all material respects.

Financial Condition:

Sheriff collected net taxes of \$10,310,355 for the districts for 2000 taxes. Sheriff distributed taxes of \$10,306,469 to the districts for 2000 Taxes. Taxes of \$1,486 are due to the districts from the Sheriff and refunds of \$4,947 are due to the Sheriff from the taxing districts.

Report Comments:

- The Sheriff's Office Lacks Adequate Segregation Of Duties

Deposits:

The sheriff's deposits were insured and collateralized by bank securities or bonds.

Subsequent Event:

None.

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EDWARD B. HATCHETT, JR.
AUDITOR OF PUBLIC ACCOUNTS

To the People of Kentucky

Honorable Paul E. Patton, Governor

T. Kevin Flanery, Secretary

Finance and Administration Cabinet

Dana Mayton, Secretary, Revenue Cabinet

Honorable Joe Gormley, Woodford County Judge/Executive

Honorable John Coyle, Woodford County Sheriff

Members of the Woodford County Fiscal Court

Independent Auditor's Report

We have audited the Woodford County Sheriff's Settlement - 2000 Taxes as of September 11, 2001. This tax settlement is the responsibility of the Woodford County Sheriff. Our responsibility is to express an opinion on the financial statement based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in the Government Auditing Standards issued by the Comptroller General of the United States, and the Audit Guide for Sheriff's Tax Settlements issued by the Auditor of Public Accounts, Commonwealth of Kentucky. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 1, the Sheriff prepares his financial statement on a prescribed basis of accounting that demonstrates compliance with the modified cash basis and laws of Kentucky, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the accompanying financial statement referred to above presents fairly, in all material respects, the Woodford County Sheriff's taxes charged, credited, and paid as of September 11, 2001, in conformity with the basis of accounting described in the preceding paragraph.

Based on the results of our audit, we present the accompanying comment and recommendation, included herein, which discusses the following area of internal control.

- The Sheriff's Office Lacks Adequate Segregation Of Duties

To the People of Kentucky
Honorable Paul E. Patton, Governor
T. Kevin Flanery, Secretary
Finance and Administration Cabinet
Dana Mayton, Secretary, Revenue Cabinet
Honorable Joe Gormley, Woodford County Judge/Executive
Honorable John Coyle, Woodford County Sheriff
Members of the Woodford County Fiscal Court

In accordance with Government Auditing Standards, we have also issued our report dated October 24, 2001, on our consideration of the Sheriff's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

Respectfully submitted,



Edward B. Hatchett, Jr.
Auditor of Public Accounts

Audit fieldwork completed -
October 24, 2001

WOODFORD COUNTY
JOHN COYLE, SHERIFF
SHERIFF'S SETTLEMENT - 2000 TAXES

September 11, 2001

<u>Charges</u>	<u>County Taxes</u>	<u>Special Taxing Districts</u>	<u>School Taxes</u>	<u>State Taxes</u>
Real Estate	\$ 915,335	\$ 641,537	\$ 5,963,130	\$ 1,740,789
Tangible Personal Property	51,549	32,043	351,774	442,876
Intangible Personal Property				131,565
Increased Through Erroneous Assessments	1,009	767	6,587	1,923
Franchise Corporation	60,068	58,607	406,504	
Bank Franchises	57,164			
Penalties	5,223	3,001	34,139	10,640
Adjusted to Sheriff's Receipt	3	9	65	7
 Gross Chargeable to Sheriff	 <u>\$ 1,090,351</u>	 <u>\$ 735,964</u>	 <u>\$ 6,762,199</u>	 <u>\$ 2,327,800</u>
 <u>Credits</u>				
Exonerations	\$ 1,856	\$ 1,364	\$ 12,128	\$ 3,720
Discounts	16,719	10,865	101,945	38,670
Delinquents:				
Real Estate	8,670	6,049	56,586	16,519
Tangible Personal Property	184	115	1,258	848
Intangible Personal Property				44
Uncollected Franchise	201	174	842	
 Total Credits	 <u>\$ 27,630</u>	 <u>\$ 18,567</u>	 <u>\$ 172,759</u>	 <u>\$ 59,801</u>
 Net Tax Yield	 \$ 1,062,721	 \$ 717,397	 \$ 6,589,440	 \$ 2,267,999
Less: Commissions *	<u>45,453</u>	<u>20,338</u>	<u>164,736</u>	<u>96,678</u>
 Net Taxes Due	 \$ 1,017,268	 \$ 697,059	 \$ 6,424,704	 \$ 2,171,321
Add:				
Penalty per KRS 46.990				163
Less:				
Taxes Paid	1,015,052	697,697	6,423,800	2,169,920
Refunds (Current and Prior Year)	<u>731</u>	<u>439</u>	<u>4,773</u>	<u>1,564</u>
 Due Districts or (Refund Due Sheriff) as of Completion of Fieldwork	 <u>\$ 1,485</u>	 <u>\$ (1,077)</u>	 <u>\$ (3,869)</u>	 <u>\$ 0</u>

* and ** See Page 4

WOODFORD COUNTY
JOHN COYLE, SHERIFF
SHERIFF'S SETTLEMENT - 2000 TAXES
September 11, 2001
(Continued)

* Commissions:

10% on	\$	10,000
4.25% on	\$	3,725,769
2.5% on	\$	6,589,440
1% on	\$	312,348

** Special Taxing Districts:

Library District	\$	(370)
Fire District		<u>(707)</u>

The accompanying notes are an integral part of the financial statement.

WOODFORD COUNTY
NOTES TO FINANCIAL STATEMENT

September 11, 2001

Note 1. Summary of Significant Accounting Policies

A. Fund Accounting

The Sheriff's office tax collection duties are limited to acting as an agent for assessed property owners and taxing districts. A fund is used to account for the collection and distribution of taxes. A fund is a separate accounting entity with a self-balancing set of accounts. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

B. Basis of Accounting

The financial statement has been prepared on a modified cash basis of accounting. Basis of accounting refers to when charges, credits, and taxes paid are reported in the settlement statement. It relates to the timing of measurements regardless of the measurement focus.

Charges are sources of revenue which are recognized in the tax period in which they become available and measurable. Credits are reductions of revenue which are recognized when there is proper authorization. Taxes paid are uses of revenue, which are recognized when distributions are made to the taxing districts and others.

C. Cash and Investments

At the direction of the fiscal court, KRS 66.480 authorizes the Sheriff's office to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

Note 2. Deposits

The Sheriff maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC). According to KRS 66.480(1)(d) and KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the Sheriff and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution. These requirements were met, and as of September 11, 2001, the Sheriff's deposits were fully insured or collateralized at a 100% level with collateral of either pledged securities held by the Sheriff's agent in the Sheriff's name, or provided surety bond which named the Sheriff as beneficiary/obligee on the bond.

WOODFORD COUNTY
NOTES TO FINANCIAL STATEMENT
September 11, 2001
(Continued)

Note 3. Tax Collection Period

A. Property Taxes

The real and personal property tax assessments were levied as of January 1, 2000. Property taxes were billed to finance governmental services for the year ended June 30, 2001. Liens are effective when the tax bills become delinquent. The collection period for these assessments was September 27, 2000, through April 27, 2001.

Note 4. Interest Income

The Woodford County Sheriff earned \$29,234 as interest income on 2000 taxes. The Sheriff distributed the appropriate amount to the school district as required by statute, and the remainder will be used to operate the Sheriff's office. As of October 24, 2001, the Sheriff owes \$59 in interest to his fee account.

Note 5. Sheriff's 10% Add-On Fee

The Woodford County Sheriff collected \$43,215 of 10% add-on fees allowed by KRS 134.430(3). This amount will be used to operate the Sheriff's office.

Note 6. Advertising Costs And Fees

The Woodford County Sheriff collected \$1,265 of advertising costs and \$1,265 of advertising fees allowed by KRS 424.330(1) and KRS 134.440(2). The Sheriff distributed the advertising costs to the county as required by statute, and the advertising fees will be used to operate the Sheriff's office. As of October 24, 2001, the Sheriff owes \$990 in advertising costs to his fee account and \$1,265 in advertising fees to his fee account.

Note 7. Bond Coverage

KRS 134.320 and KRS 134.250 give the Fiscal Court the authority to require the Sheriff to have a county revenue bond. The county revenue bond should cover all tax monies in the Sheriff's possession. The Sheriff's county revenue bond was \$200,000, which appears adequate to protect the county from potential loss.

COMMENT AND RECOMMENDATION

WOODFORD COUNTY
JOHN COYLE, SHERIFF
COMMENT AND RECOMMENDATION

September 11, 2001

STATE LAWS AND REGULATIONS:

None.

INTERNAL CONTROL - REPORTABLE CONDITION AND MATERIAL WEAKNESS:

The Sheriff's Office Lacks Adequate Segregation Of Duties

We noted the lack of an adequate segregation of duties for the internal control structure and its operation that in our judgement is a reportable condition under standards established by the American Institute of Certified Public Accountants. Due to the entity's diversity of official operations, small size, and budget restrictions the official has limited options for establishing an adequate segregation of duties. Management has considered and rejected additional cost when setting budget limits on spending for salaries and therefore accepts the degree of risk for a lack of an adequate segregation of duties. However, the Auditor of Public Accounts has judged the lack of an adequate segregation of duties as a reportable condition and a material weakness. We recommend the Sheriff to establish some compensating controls over the office operations.

Sheriff's Response:

None.

PRIOR YEAR:

None.

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REPORT ON COMPLIANCE
AND ON INTERNAL CONTROL OVER FINANCIAL
REPORTING BASED ON AN AUDIT OF THE FINANCIAL STATEMENT
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS



EDWARD B. HATCHETT, JR.
AUDITOR OF PUBLIC ACCOUNTS

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Report On Compliance And On Internal Control
Over Financial Reporting Based On An Audit Of The Financial
Statement Performed In Accordance With Government Auditing Standards

We have audited the Woodford County Sheriff's Settlement - 2000 Taxes as of September 11, 2001, and have issued our report thereon dated October 24, 2001. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Woodford County Sheriff's Settlement - 2000 Taxes as of September 11, 2001, is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Woodford County Sheriff's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statement and not to provide assurance on the internal control over financial reporting. However, we noted a certain matter involving the internal control over financial reporting and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the entity's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statement. The reportable condition is described in the accompanying comment and recommendation.

- The Sheriff's Office Lacks Adequate Segregation Of Duties

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statement being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we consider the reportable condition described above to be a material weakness.

This report is intended solely for the information and use of management and is not intended to be and should not be used by anyone other than the specified party.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Ed Hatchett, Jr.", with a long horizontal flourish extending to the right.

Edward B. Hatchett, Jr.
Auditor of Public Accounts

Audit fieldwork completed -
October 24, 2001

